



# Grand Rapids Area Chamber of Commerce

Creating Opportunities for Business Success

**Testimony by Jared I. Rodriguez  
Vice President, Public Policy & Government Affairs  
Joint House & Senate Hearing on the SBT Restructuring Proposal  
May 2, 2005**

Mr. Chair, Madame Chair, and members of the Committee, my name is Jared Rodriguez, and I am the Vice President of Public Policy & Government Affairs for the Grand Rapids Area Chamber of Commerce. On behalf of the 3,000 job providers I represent throughout West Michigan, I am pleased to come before you this afternoon to offer comments on the proposed Single Business Tax (SBT) Restructuring Package.

Joining me in making remarks today are Jeff Kane of BDO Seidman, Ed Kisscorni of Crowe Chizek and Paul A. Hense.

I must preface my comments with the disclaimer that the Grand Rapids Area Chamber of Commerce has not taken an official position on the Governor's proposed SBT changes. However, we will be offering our initial reaction to the proposal and highlight some conversations that our Chamber's Tax Policy Committee is having. We are in the final stages of our process on taking a position and expect our Board of Directors to make an announcement in the coming weeks.

As an organization, we seek to create opportunities for business success. We accomplish this by promoting business and commerce through collaborative leadership, focusing on economic growth, public policy and community responsibility. Removing tax burdens and barriers, facing all job providers throughout Michigan, will allow more flexibility in expanding the overall workforce and ultimately enhance our volatile economy.

I would like to commend the administration for the willingness to provide much needed tax relief to manufacturers and some job providers through the proposed SBT restructuring plan. While we appreciate the efforts, we must express some of our initial concerns with the proposed changes to Michigan's business tax climate.

Following the formal release of the proposal on March 8, 2005, our Chamber's Tax Policy Committee convened to study all proposed changes. In addition, we hosted a forum with our membership to listen to a presentation by State Treasurer Jay Rising reviewing and analyzing each detail of the restructuring proposal. Throughout our careful review, we have struggled with the following question.

Are the economic problems that exist in Michigan, a result of a tax problem?

Many would argue that it's only part of the problem. The other part being the increasing cost of labor. As has been found with several businesses in Michigan, no matter what we do to decrease

a company's tax burden, they are still going to relocate. Simply because we can not compete with the low labor costs found in the South, Mexico or China.

**Jeff Kane (BDO Seidman LLP)**

As a member of the Chamber's Board and Tax Policy Committee I would like to reiterate that the Board will be taking a look at a position statement from the Chamber's Tax Policy Committee and make a formal recommendation of position in the coming weeks.

That being said, our Chamber's Tax Policy Committee has been a long time advocate for tax relief to all job providers. Picking winners and losers amongst the business community, as the restructuring proposal suggests, is not sound public policy.

The Grand Rapids Area Chamber of Commerce has had a long history of opposition to the Single Business Tax. We were the first organization to oppose the SBT during its inception in 1976 and have continued to advocate for full repeal.

In our Tax Policy Committee's review of the current restructuring proposal, we have found that there are several items that will help lower some of the costs of doing business in Michigan.

Including:

- Single Business Tax (SBT) rate reduction;
- Providing manufacturers and R & D companies with a personal property tax credit;
- Lowering the burden on small businesses through a reduction in the small business tax; and
- Offering incentives to encourage research and development are also welcomed.

In addition to these noted changes within the restructuring package, there are also several changes that would substantially increase the tax burden on many of our members. We support tax relief for Michigan manufacturers and other job providers, but question shifting the burden from one sector of the business community to another. All businesses need to realize tax relief.

Under the proposal, job providers will see an increase in taxes by:

- Tripling the profit component of the tax base calculation for C-Corps;
- Eliminating long-standing provisions of the SBT that reduce the tax burden carried by labor-intensive industries; and
- Limiting the availability of the small business credit.

These and other changes would result in significant tax increases for many West Michigan job providers – including many grocers, distributors, utilities, professional service providers, banks and others. As a region with increasing manufacturing job loss and a state with the highest unemployment rate in the nation, we believe that all job providers need tax relief. Perhaps the best way to provide universal tax relief is through the elimination of the Personal Property Tax (PPT).

**Ed Kisscorni (Crowe Chizek and Company LLC)**

Eliminating the PPT would broaden the scope of tax relief across all industries and not pick winners and losers among businesses. Our review of the current proposal suggests that many job

providers will see a tax increases with little or no evidence that it will create jobs and remain revenue neutral. Our Chamber has been outspoken about ideas that we can support. Including:

- Legislation to eliminate the rest of the tax penalty on employers that provide healthcare to their employees
- Reinstating the phase-out of the SBT; and
- Maintaining the small business tax credit.

As the second largest city in Michigan, Grand Rapids is a community that has invested significantly in growth and expansion in the areas residential and commercial construction, higher education, transportation and the medical research community. All of the growing industries we are attracting need significant tax relief allowing businesses to create jobs, thus expanding the tax base. We suggest, that you as legislative leaders, take a close look at the root of the business taxation problem in Michigan, and consider removing 100 percent of the personal property tax paid by businesses. In doing so, like the current proposal, the manufacturing industry would see a significant tax reduction, and most importantly, all other job providers in Michigan would see relief as well.

We thank you for your time and the opportunity to comment on the proposed changes to the SBT. We would be happy to answer

